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Not Enough People Have Financial Advisers and New Research Shows They Should

Only 52% of pre-retirees and 44% of retirees consult a financial planner or adviser according to a new report, *Understanding and Managing the Risks of Retirement,* from the Society of Actuaries (SOA), which discusses the findings of their Retirement Risk Survey conducted in 2013. The report highlights a variety of concerns faced by both pre-and post-retirees, including concerns about health care, long-term care, inflation, and running out of money in retirement. With roughly 96% of pre-retirees and 89% of retirees responding that they are concerned to some degree about their long-term financial future in retirement, it is troubling that only about 50% of people meet with a financial adviser. Confidence and peace of mind are just two of the more obvious reasons to seek the services of a financial adviser. Most people in the baby-boomer generation are not confident that they will have enough money for retirement. According to an IRI 2014 survey, baby-boomers with financial advisers are twice as likely to feel confident about their retirement savings as those without an adviser.

Adding confidence to one's retirement plan is not the only thing that financial advisers do. In fact, financial advisers are well equipped to help America reduce its retirement income shortfall of nearly $4.3 trillion. For example, an international HSBC study, The Future of Retirement, in 2011 showed that those with financial plans accumulated nearly 250% more retirement savings than those without a financial plan in place. Furthermore, nearly 44% of those who have a financial plan in place save more money each year for retirement.

Research by David Blanchett and Paul Kaplan of Morningstar, Alpha, Beta, and Now . . . Gamma, has attempted to quantify into real numbers the value that financial planners can provide. Their research shows that financial planners help individuals generate roughly 1.82% excess return each year, creating roughly 29% higher retirement income wealth. This means even if an adviser is charging a 1% fee a year for the management of retirement assets, the financial advice still has a huge impact on generating additional retirement income.

Even if you have a financial plan in place and a retirement income plan, financial advisers can still add value. For instance, Carol Bogosian, ASA, Member of the SOA's Committee on Post-Retirement Needs and Risks, said "people who do plan for retirement may have a short-term planning horizon and a focus on day-to-day living expenses. The ability to pay monthly bills often is their main financial planning input for the decision to retire." Furthermore, Bogosian went on to note that "financial planners can help address difficult long-term planning items and provide guidance for a better planning position."

Financial advisers offer a tremendous amount of value by dealing with extremely complex tax issues, investment choices, and emotional decisions impacting one's financial well-being. Furthermore, they make people more secure for retirement, increase their client's wealth, and help people feel more confident about their financial status. However, not all financial planners are created equal and a few tips should be followed when looking for a financial planner.

First, financial planners are not just for the wealthy, but they do cost money. In fact, because of evolutions in the compensation models used by financial planners, there are financial planners available for almost everyone. There are planners out there that focus exclusively on high wealth, middle wealth, and low wealth individuals. However, it is still very important to pay attention to how your financial adviser is compensated, as fees and compensation matter. If you are worried about how much a financial planner costs there are still other options. "There is also an opportunity for employers to help employees find financial planning resources, especially for people who don't have a lot of assets to manage," said Bogosian. Many employers offer seminars and some basic financial planning meetings led by financial advisers that can add a lot of value to the employees.

Second, make sure you have the right financial adviser for your unique situation. While there are many qualified advisers out there, some might be better trained, educated, and suited for your particular needs. Some financial advisers focus on wealth accumulation while others focus on retirement income planning. Additionally, some financial advisers specialize in working with same-sex clients, clients with special needs children, or with veterans. In order to find an adviser that suits your needs, use a tool like DesignationCheck.com, which can help you locate a certified adviser in your area. For instance, you can search for professional advisers based on your area or even search for advisers with a specific designation that focuses on retirement or health care.

Lastly, do some homework on the financial planner before you agree. For example, CFP® Board provides a way to verify CFP® certifications and allows consumers to see any disciplinary action taken against a CFP® certification holder. Asking your friends, work colleagues, and family members can also be one way to find a financial planner. Also, do not be afraid to ask your financial planner for a client recommendation or testimonial. Financial advisers can add a lot of value for their clients, and if America is going to reduce the retirement income shortfall for baby-boomers, financial advisers will indefinitely be part of the solution.